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C O N F I D E N T I A L SECTION 01 OF 04 BAKU 000552

SIPDIS

DEPT FOR EUR DAS BRYZA, EEB STEVEN MANN,  
EUR/ERA FOR EMCCONAHA  
EUR/UMB, EEB/EEC/IEC - LWRIGHT  
USEU FOR SPECIAL ENVOY GRAY  
DOE FOR LEKIMOFF, CCALIENDO

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TAGS: [EPET](#) [EINV](#) [ENRG](#) [PINR](#) [PGOV](#) [PREL](#) [AJ](#) [TX](#)  
SUBJECT: AZERBAIJAN: SE GRAY'S MEETINGS WITH FOREIGN  
MINISTER AND ENERGY MINISTER

Classified By: AMBASSADOR ANNE DERSE PER REASONS 1.4 (B, D).

¶1. (C) SUMMARY. Special Envoy for Eurasian Energy C. Boyden Gray, accompanied by EUR DAS Matthew Bryza, Eurasian Energy Coordinator Ambassador Steven Mann, Ambassador Richard Hoagland, and Ambassador Anne Derse, met separately with Azerbaijani Foreign Minister Elmar Mammadyarov and Energy Minister Natiq Aliyev to discuss Azerbaijan's energy and bilateral relations with Turkmenistan, Turkey and the European Union. Both Mammadyarov and Aliyev said Turkmen President Berdimuhamedov's visit had achieved positive results, including plans for a bilateral energy conference in Baku in September. Gray and Mammadyarov discussed organizing an energy summit in Brussels with energy companies and exporting countries to discuss diversification of Europe's energy needs and strategize on getting Caspian gas to European markets. Azerbaijan plans to continue talking to Turkey about gas transit. Bryza cautioned Mammadyarov that OMV's declared "open season" for the Nabucco gas pipeline project could leave Azerbaijan behind and lead the Nabucco partners to choose Russian or Iranian gas for the pipeline project. END SUMMARY

¶2. (C) Special Envoy for Eurasian Energy C Boyden Gray, accompanied by EUR DAS Matthew Bryza, Ambassador Steven Mann, Ambassador Richard Hoagland, and Ambassador Anne Derse, met separately on June 2 with Azerbaijani Foreign Minister Elmar Mammadyarov and Energy Minister Natiq Aliyev to discuss Azerbaijan's energy and bilateral relations with Turkmenistan, Turkey and the European Union. Both ministers expressed optimism about Azerbaijan's warming relations with Turkmenistan, while cautioning that the overall relationship was still in its early stages and the Turkmen should not be pressed too hard. They emphasized that Azerbaijan views gas exports to Europe and providing transit for central Asian gas as key strategic goals. Energy Minister Aliyev told the group that Azerbaijan needed to accelerate Shah Deniz Stage 2 (SD2) development, obtain a transit agreement with Turkey, and develop good bilateral relations with Turkmenistan and Kazakhstan. COMMENT: Most important in these meetings was the GOAJ desire, mirroring President Aliyev's previously expressed request, for more active U.S. leadership and a "roadmap" from the US Government indicating the actions that need to be taken in order to resolve the Turkish gas transit issue, improve energy cooperation with Turkmenistan, and encourage the EU to play a more active, and unified, role in reaching out to the Caspian. END COMMENT.

TURKMENISTAN

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13. (C) Foreign Minister Mammadyarov told SE Gray and the delegation that the recent visit to Baku by Turkmen President Berdimuhamedov was a "good open discussion" and had resulted in positive momentum in the overall bilateral relationship, including discussions on Caspian Sea delimitation and gas exploration. Mammadyarov said that President Aliyev had instructed Energy Minister Aliyev (no relation to the President) to travel to Ashgabat June 6 to begin discussions with the GOTX regarding a September Azerbaijan-Turkmenistan oil and gas conference to be held in Baku. Aliyev separately confirmed that he planned to travel Ashgabat to begin negotiations on the conference.

14. (C) Mammadyarov said that Berdimuhamedov wanted to keep the conference only between Azerbaijan and Turkmenistan and dismissed Azerbaijan's idea of including Turkey. Mammadyarov said that many of the details for the conference still needed to be worked out, including the possible participation of international energy companies. Mammadyarov acknowledged that Azerbaijan did not know how far President Berdimuhamedov was willing to go, and whether he actually sought to export some Turkmen gas to Europe via Azerbaijan or was merely threatening to do so only to increase the price of gas to Russia. He also said President Aliyev did not have any plans to visit Turkmenistan prior to Azerbaijan's October 15 presidential election, adding that the president was planning to campaign throughout the country over the coming months.

15. (C) Mammadyarov outlined Azerbaijan's strategy to engage

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Turkmenistan and Berdimuhamedov to strengthen the overall bilateral relationship. Ambassador Mann told Mammadyarov that there are two primary areas of action with Turkmenistan.

In the long-term, it was critical to get serious energy companies to Turkmenistan, adding that Chevron and BP had opened an offices in Ashgabat and ExxonMobil was contemplating an office. Mammadyarov said that European companies, such as OMV, should also be included in any gas development plans. In the immediate-term, Ambassador Mann said that associated gas in Turkmenistan needed to be developed and exported westward to Azerbaijan, then onward to Europe.

16. (C) Energy Minister Aliyev told SE Gray that Azerbaijan needed to increase its efforts to work with Turkmenistan and Kazakhstan, despite the various obstacles that existed. Aliyev noted that the Azerbaijan-Turkmenistan relationship was warmer than before and that both countries have a common goal to connect their offshore fields. He said that President Aliyev will take a careful approach with Turkmenistan in order to gain Turkmenistan's trust and not push issues on the Turkmen president. FM Mammadyarov also reiterated that Azerbaijan needed to proceed slowly with Turkmenistan in order to build the relationship. Mammadyarov noted that despite the progress with Turkmenistan, the GOTX was not ready to discuss joint field development or the disputed Serdar/Kyapaz field. Azerbaijan had decided to put aside these contentious issues for the moment and focus on other points of common interest.

17. (C) In addition to building good relations with Turkmenistan, Aliyev said that Azerbaijan is ready to assist Turkmenistan logistically. Separately, FM Mammadyarov reiterated that Turkmenistan lacked capacity to develop its oil and gas fields, adding that it did not have a national oil company such as SOCAR. Aliyev said that he hoped an eventual agreement between Azerbaijan and Turkmenistan would encourage private energy companies to participate and eventually lead to increasing gas volumes transiting Azerbaijan. Aliyev said that Azerbaijan did not understand or know Turkmenistan's relationship with Russia, which may include bilateral agreements and obligations.

¶8. (C) Asked about his personal impressions of President Berdimuhamedov, Mammadyarov said that he believed there would be statues all over Turkmenistan in one year, obliquely referring to former Turkmen President Turkmanbashi's personality cult. He said that Berdimuhamedov wanted to be a "star" and that he would not do anything except to ensure his own security. Mammadyarov said that Berdimuhamedov negotiated in an "oriental style," always wanting more.

#### TURKEY

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¶9. (C) Both Foreign Minister Mammadyarov and Energy Minister Aliyev told SE Gray that Azerbaijan has no problems with Turkey. Mammadyarov said that he did not understand why Turkmenistan did not want to include it in the proposed oil and gas conference in Baku in September. DAS Bryza told Mammadyarov that the U.S. was interested in organizing a trilateral meeting with Azerbaijan and Turkey to discuss strategies to get Azerbaijani gas to European markets, acknowledging that it appeared that Turkey wanted to buy all Azerbaijani SD2 gas. Mammadyarov said that Azerbaijan "was waiting" for Turkey and that gas transit would be discussed during a meeting between President Aliyev and Turkish Prime Minister Tayyip Erdogan in Nakhchivan on June 3.

¶10. (C) Energy Minister Aliyev confirmed that President Aliyev would discuss gas transit with the Turkish PM. Aliyev briefed the group on Azerbaijan's gas potential and said that he had good discussions with Turkey's Energy Minister despite the occasional misunderstanding. Aliyev emphasized that Azerbaijan will not agree to sell its gas at the Georgia-Turkey border and that Azerbaijan wanted clear transit conditions and tariffs from Turkey. In the end, Aliyev stated that he believed Azerbaijan and Turkey would get an agreement on gas transit. On the margins of his meeting June 6 in St. Petersburg with Armenian President

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Sargsyan, Aliyev told Bryza he (Aliyev) and Turkish PM Erdogan made significant progress toward resolving the gas transit dispute during their June 5 meeting in Nakhchivan.)

¶11. (C) Calling the Turks "stubborn," Mammadyarov said that Azerbaijan would continue to talk with the Turks, emphasizing that being a transit country for Caspian gas would elevate Turkey's profile in the EU and bolster Turkey's relations with the EU. He noted that Turkey's increasingly views the transit issue as leverage in its accession discussions with the EU. Mammadyarov said that it was positive that the Turkish Ministry of Foreign Affairs had taken a leadership role in the transit negotiations, noting that the Turkish Energy Ministry viewed the issue from a profit standpoint and not from a political standpoint. Mammadyarov reiterated that Turkey can gain more from the transit agreement with Azerbaijan without the net-back clause.

¶12. (C) Mammadyarov said that President Aliyev instructed him to develop with the USG a roadmap on energy issues. Mammadyarov requested assistance from SE Gray and DAS Bryza in developing and drafting this roadmap for Azerbaijan's efforts to transit Turkmen and Kazakh gas, negotiate a transit agreement with Turkey and build more support for Caspian energy with the EU. Ambassador Mann and DAS Bryza said that they would help develop the action plan. SE Gray cautioned that the U.S. did not want to get ahead of the EU and the action plan may not be as detailed as President Aliyev wanted.

#### EUROPEAN UNION

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¶13. (C) Turning to the European Union, Foreign Minister Mammadyarov raised the idea of a summit in Brussels to bring together all the energy suppliers and consumers to discuss long-term energy strategies and diversification of European

gas supplies. The purpose would be to produce a political declaration strongly endorsing diversification of supply. Mammadyarov noted that he had raised this idea more than a year earlier with President Aliyev, who agreed to the concept. The EU, according to Mammadyarov, was not actively pushing for the meeting and SE Gray acknowledged that there was some resistance in the EU to the idea.

¶14. (C) SE Gray and DAS Bryza both dismissed Mammadyarov's idea to include Iran in the energy summit. Mammadyarov agreed and indicated that the summit would focus on Europe, including Russia, and Caspian and central Asian countries. Mammadyarov said he would talk with President Aliyev regarding the timing of the summit in Brussels, noting that September or October could be difficult with the upcoming Azerbaijani president election. Mammadyarov requested SE Gray to test the Brussels summit idea with the EU.

¶15. (C) DAS Bryza told Foreign Minister Mammadyarov that the Nabucco pipeline partners, including OMV, planned to meet in The Hague at the end of June to discuss a possible inter-government agreement that would resolve the Turkish transit issue by allowing Turkey to take gas volumes from the Nabucco pipeline in the case of an "energy supply" emergency.

Bryza noted that Azerbaijan could participate as an observer but that Energy Minister Aliyev had reportedly declined. Mammadyarov said he was unaware of the meeting and believed that SOCAR, if invited to be an observer, should participate.

He said he would raise the meeting with SOCAR. Energy Minister Aliyev separately said that Azerbaijan should be invited to the Hague meeting.

¶16. (C) DAS Bryza stated that he worried that OMV's declared "open season" for Nabucco gas pipeline could leave Azerbaijan behind and lead the Nabucco partners to choose Russian or Iranian gas for the pipeline project. Bryza emphasized that Azerbaijan needed to sit down with the companies to discuss strategy and stay out in front of this issue. Mammadyarov agreed, adding that maybe on the sideline of the Hague meeting Azerbaijan could talk with OMV.

¶17. (C) Recalling the success of the Baku-Tbilisi-Ceyhan declarations in the late 1990s, Energy Minister Aliyev said

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that in order to advance Azerbaijan's gas export ambitions it would be useful to organize a political declaration on gas. Aliyev said that Azerbaijan does not need to initiate the declaration and others, such as the EU, could create the correct environment. Aliyev said that there could be a pre-meeting with government officials and energy companies to discuss details and potential problems. Aliyev said that since there were no serious documents signed by companies or countries on the Nabucco project, there were no obligations to implement the project. Aliyev added that there needed to be good political will for Nabucco then all the parties would support it.

¶18. (C) COMMENT: President Aliyev for many months has urged that the USG and Azerbaijan renew the close coordination and leadership that produced the "Contract of the Century" and the BTC pipeline to advance the southern gas corridor. The GOAJ is very pleased with the appointment of SE Gray and eager for USG leadership and cooperation in addressing the obstacles to moving this project forward. Azerbaijan is increasingly sensitive to Russian reaction to its efforts on gas. Gazprom chief Alexei Miller had visited Azerbaijan the day before this meeting and offered to buy all Azerbaijani gas in an effort to undercut Nabucco. We need to follow-up on President Aliyev's request for a "roadmap" indicating the actions that need to be taken in order to address the Turkish gas transit, improve energy cooperation with Turkmenistan, and encourage the EU to play a more active, and unified, role in reaching out to the Caspian. End Comment.

¶19. (U) SE Gray, Ambassador Mann and DAS Bryza cleared this

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